

Message Text

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ACTION EB-08

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FM AMEMBASSY SEOUL

TM RUEHC/SECSTATE WASHDC 6119

INFO AMEMBASSY TOKYO

UNCLAS SEOUL 7358

TOKYO FOR MICHAEL B. SMITH

E.O. 11652: NA

TAGS: ETRD, KS

SUBJECT: KOREA/U.S. TEXTILE NEGOTIATIONS

FOLLOWING IS TEXT OF ARTICLE WHICH APPEARS IN AUGUST 31
KOREA TRADE NEWS:

(BEGIN QUOTE.) KOREA, U.S. AGREE TO NEW TEXTILE PACT.

A) SEOUL, AUG. 31 (KTN) - A DRAMATIC BREAKTHROUGH IN THE DEAD-
LOCK OF THE KOREA-U.S. TEXTILE TALKS YESTERDAY LED TO COMPLETE
AGREEMENT ON THE QUOTA INCREASE RATE FOR THE FIRST YEAR OF THE
NEW KOREA-U.S. TEXTILE AGREEMENT TAKING EFFECT IN JANUARY, THE
NUMBER OF SPECIFIED ITEMS TO BE INCLUDED ON THE RESTRICTION
LIST, AND THE FLEXIBILITY OF THE QUOTA OPERATION.

B) IN A LAST-DITCH EFFORT TO BEAT THE SEPT. 30 DEADLINE OF
THE TALK, WHICH WAS THE SECOND ROUND WITH THE LAST NEGOTIATING
TALK ENDED IN WASHINGTON EARLIER THIS MONTH WITHOUT REACHING
AGREEMENT, CHIEF NEGOTIATORS OF THE TWO GOVERNMENTS CONTINUED
THE LAST-DAY SESSION INTO THE EVENING, AND FINALLY SIGNED
A NOTE OF AGREEMENT.

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C) IN THE 10-DAY MEETING THAT OPENED ON AUG. 22, THE TWO
GOVERNMENTS WERE REPRESENTED BY CHOI HO-JUNG, ASSISTANT
FOREIGN MINISTER FOR ECONOMIC AFFAIRS, AND MICHAEL SMITH,
CHIEF TEXTILE NEGOTIATOR, OFFICE OF SPECIAL TRADE REPRESENTATIVE.

D) THEY ALSO AGREED TO SET THE ANNUAL QUOTA GROWTH RATE IN

THE CURRENT TEXTILE AGREEMENT THAT WOULD BE EXTENDED FOR THREE MONTHS UNTIL DECEMBER, AT 6.75 PERCENT AS ORIGINALLY REQUESTED BY KOREA.

E) FOREIGN MINISTRY SOURCES SAID AFTER THE TALK THAT THE FIRST-YEAR QUOTA UNDER THE NEW KOREA-U.S. TEXTILE AGREEMENT WOULD BE LIMITED TO THE LEVEL OF THIS YEAR'S ANNUAL SHIPMENT RECORD, THAT IS, 583 MILLION SQUARE YARDS.

F) UNDER THE NEW AGREEMENT, THEY SAID, THE 106 TEXTILE ITEMS, WHICH THE AMERICAN GOVERNMENT HAS DECIDED TO CLASSIFY ON THE BASIS OF ITS NEW CLASSIFICATION METHOD NEXT YEAR FOR IMPORTATION, WILL BE DIVIDED INTO THREE GROUPS. TGE GROUP I WILL INCLUDE COTTON AND NON-COTTON TEXTILE PRODUCTS AND YARNS, THE GROUP II COTTON AND NON-COTTON GARMENTS AND THE GROUP III WOOL PRODUCTS.

G) FOR THE FIRST-YEAR QUOTA OPERATION OF THE NEW ACCORD, A "ZERO" RATE WILL BE APPLIED, AND FOR THE REST OF THE QUOTA YEARS A 6.5 PERCENT INCREASED RATE WILL BE ALLOWED FOR COTTON AND NON-COTTON TEXTILES AND A 1 PERCENT GROWTH RATE FOR WOOLEN PRODUCTS.

H) ON THE OTHER HAND, ANOTHER IMPORTANT AGREEMENT DURING THE TALK WAS ON THE STATUS OF A TOTAL OF 28 ITEMS WHICH ARE TO BE SUBJECTED TO SPECIAL LIMITATIONS UNDER THE NEW AGREE-
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MENT. SEVEN OF THE TOTAL 28 ITEMS WILL BE ALLOWED A 6.5 PERCENT ANNUAL QUOTA INCREASE JUST AS PROVIDED IN THE CURRENT AGREEMENTS. BUT LOWER QUOTA INCREASE RATES WILL APPLY TO 12 ITEMS INCLUDING COTTON AND NON-COTTON TEXTILES AND NINE SUCH AS WOOL PRODUCTS, WHICH ALL ARE CLASSIFIED AS "SENSITIVE" ITEMS BY THE AMERICAN GOVERNMENT.

I) OF THOSE 21 ITEMS TO BE AFFECTED BY THE LOWER QUOTA APPLICATION, THE 12 ITEMS WILL RECEIVE A ZERO RATE FOR THE FIRST YEAR OF THE NEW AGREEMENT WITH THE QUOTA GROWTH RATES THEREAFTER SET AT THE PERCENTAGES RANGING FROM 3.14 PERCENT TO 3.62 PERCENT, AND FOR THE NINE ITEMS THERE WILL BE A ZERO RATE IN THE FIRST YEAR AND 1 PERCENT THEREAFTER.

J) THE TWO DELEGATIONS ALSO AGREED TO ALLOW THE PRE-UTILIZATION AND CARRYING-FORWARD OF THE QUOTA WITHIN THE LIMIT OF 1 PERCENT WITH A 7.15 PERCENT LIMIT ALLOWED FOR THE PRE-UTILIZATION OF THE QUOTA.

K) IN ADDITION, IT WAS AGREED THAT THE TURNOVER OF THE QUOTA WOULD BE ALLOWED 15 PERCENT FOR ITMES IN THE GROUP I, 7 PERCENT FOR THE GROUP II, AND 3 PERCENT FOR THE GROUP III,

(END OF QUOTE.)

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